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SUBJECT: PEACE CORPS AND GVN FAIL TO CONCLUDE COUNTRY AGREEMENT

¶1. (SBU) Summary: Following three days of meetings, Peace Corps and Ministry of Foreign Affairs were unable to conclude a country agreement concerning a Peace Corps program in Vietnam. Outstanding issues could conceivably be resolved in future discussions, but the GVN would have to gain inter-agency accord, a process that has not occurred over 11 months of talks so far and will apparently take some additional time. Peace Corps Regional Director Jay Katzen explained to the GVN that the failure to reach understanding after extensive efforts, combined with the fact that 23 other countries are competing for the Peace Corps, makes it harder to defend our shared interests in seeking an agreement in the future. End Summary.

¶2. (SBU) On June 16, 17 and 18, Jay Katzen, Peace Corps's Regional Director for Europe, Mediterranean and Asia, and Lien Galloway, Associate General Counsel, met with a Government of Vietnam (GVN) delegation in Hanoi to discuss the establishment of a long-awaited Peace Corps presence in Vietnam. The GVN invited Katzen and Galloway to come on short notice to Vietnam in order to "wrap up" negotiations begun in July, 2006 in advance of the meeting between President Bush and President Nguyen Minh Triet on June 22 in Washington. Tran Ba Viet Dzung, Director General of the Ministry of Education and Training's (MOET) International Cooperation Department; Lang of MOET; Nguyen Hoanh Nam and Nguyen Ba Hung, Deputy Directors of the Ministry of Foreign Affairs' (MFA) Americas Department; and MFA's Nguyen Trung Viet comprised the GVN delegation.

¶3. (SBU) The negotiators agreed to structure the talks around first concluding a Country Agreement to serve as the legal basis for the establishment of a Peace Corps program. Second, the two sides hoped to gain agreement on a separate Memorandum of Understanding (MOU) that would outline program details over its first two years, including provisions for forty volunteers to teach English as a second language at universities in Hanoi and Ho Chi Minh City. The MOU would also address envisioned future programmatic expansion into environmental and health care areas.

¶4. (SBU) An air of optimism accompanied the start of the negotiations on Saturday, June 16. Katzen stated his hope that the two sides could negotiate and conclude an agreement in time for the June 22 meeting at the White House pursuant to the Vietnamese stated wish. Katzen and Galloway explained the time constraints involved, but set out a road map for negotiations that could succeed in meeting the inherent logistical deadlines of dealing with such matters as translation. They also offered to meet morning, noon and night each day to accomplish our mutual objectives.

¶5. (SBU) The meeting began smoothly and moved quickly through the first part of the Country Agreement. The negotiation soon stalled, however, as the GVN proceeded to express doubts over several paragraphs of the language in the U.S. template. For example, MFA

officials focused early on the section of Article II that mandates the GVN to accord treatment to Peace Corps personnel and volunteers "no less favorable than that accorded generally to nationals of the United States residing in Vietnam." MFA's Hung, in particular, challenged the phrase "equitable treatment."

¶6. (SBU) Katzen and Galloway patiently and thoroughly answered all questions posed on the various provisions, but the GVN side kept coming back with more questions. Moreover, the Vietnamese officials said they would have to seek guidance and approval of the Ministry of Justice, the Ministry of Finance and even others in the MFA to consent to the template language.

¶7. (SBU) By the third day, GVN negotiators concluded there were still at least three major areas in the Country Agreement that remain problematic. First, they could not give final agreement to language related to the status of treatment of PC staff members, which in the template calls for treatment equivalent to that accorded administrative and technical staff personnel of the diplomatic mission of the United States, except for immunities. Second, the GVN introduced a sentence calling for the application of Vietnamese law in case of disputes, which the U.S. side resisted as unnecessary and unacceptable. Third, the Vietnamese expressed confusion over the meaning of the Article V exemption from investment and deposit requirements and currency controls all funds introduced into Vietnam by Peace Corps personnel, despite U.S. negotiators' attempts at clarification. Although the GVN did not explicitly raise other minor issues on the third day that they had focused on earlier, it is also possible they still had concerns about exemptions from duties, visa fees, and income taxes.

¶8. (SBU) Katzen and Galloway suggested that the two sides, in parallel with talks on the Country Agreement, initiate discussions on the details of the separate Memorandum of Understanding (MOU)

HANOI 00001139 002 OF 002

addressing the details of the initial program for volunteers engaged in teaching English. The Vietnamese side, however, declined to engage on these points in advance of an agreement on the text of a Country Agreement. Moreover, despite the opportunities for more meetings to address all the questions in more detail, and the MOU, they cancelled two scheduled morning sessions and declined suggestions to meet in the evening.

¶9. (SBU) At the conclusion of the talks on Monday afternoon, MOFA's Nam expressed his belief that the two sides had made "some progress" and stated his hope that the Peace Corps would still consider Vietnam in the near future. They promised to consult with relevant ministries and provide answers to the Peace Corps as soon as possible, perhaps "within a day or two." Katzen expressed his disappointment at the GVN's inability to conclude an agreement, and noted that 23 other countries were ready and willing to sign an agreement with the Peace Corps. As a result, he could not make any promises to the GVN.

¶10. (SBU) Comment: In the end, the GVN's expressed political will to reach a quick agreement on language allowing for the launch of a Peace Corps program in Vietnam was no match for the complexity of its bureaucratic process. We do not believe that there was bad faith involved, but rather an ultimately unrealistic GVN hope that direct talks with the Peace Corps would prove easier and more fruitful than the many rounds it had held with Embassy personnel covering the same issues. While Katzen made it clear he arrived in Vietnam with the full authority to negotiate and sign the agreement, it was evident that the GVN delegation lacked similar negotiating authority and/or that the political will to conclude such an agreement is missing from critical elements of the GVN bureaucracy. End Comment.

¶11. Peace Corps Regional Director Jay Katzen and Peace Corps Associate General Counsel Lien Galloway have cleared this message.

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